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**THE
COOPERATIVE
APPROACH
TO
OUTDOOR
RECREATION**

INFORMATION 57
FARMER COOPERATIVE SERVICE
U.S. DEPARTMENT OF AGRICULTURE

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Farmer Cooperative Service provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The Service (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The Service publishes research and educational materials and issues *News for Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin."

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preface

Cooperatives have long been the organizational device for helping people meet problems beyond the capabilities of individual action. Today the need for additional recreational facilities offers still another opportunity for the cooperative approach.

This circular, intended as a guide for those interested in organizing recreation cooperatives, explains how a group can get such a cooperative going.

While the cooperative approach alone does not assure success of any enterprise, it does provide a vehicle through which people can bring together the resources needed to overcome many problems. The planning that precedes the organization of a cooperative also enables the organizers to get a more realistic view of their project.

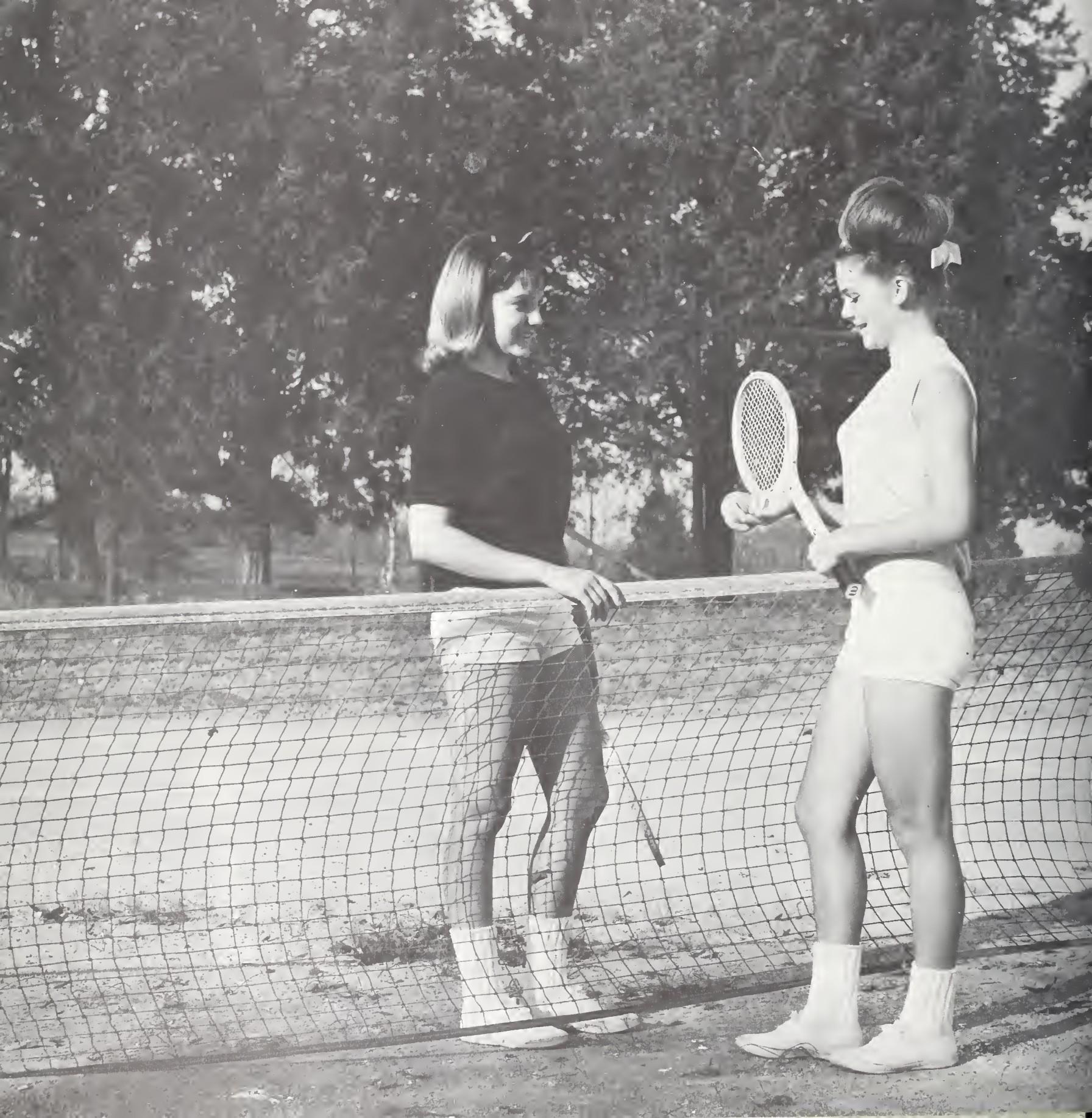
Farmer Cooperative Service has several other publications that may be useful to persons interested in applying the cooperative approach to recreation enterprises. They are listed on the back of this circular. FCS Educational Circular 18, How To Start a Cooperative, and FCS Educational Circular 28, Outdoor Recreation—A New Potential for Cooperatives, should be particularly helpful.

The author appreciates the suggestions of Karl Munson, Federal Extension Service; Robert S. Crites, Farmers Home Administration; and staff members of Farmer Cooperative Service.



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201 The Cooperative Approach To Outdoor Recreation

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by William R. Seymour,
Farmer Cooperative Service

The demand for open space for outdoor recreation is multiplying with each passing year. Americans participated more than 4½ billion times in one or another form of outdoor recreation during the summer of 1962. By 1965 the figure had grown to about 6½ billion and the Bureau of Outdoor Recreation, U.S. Department of the Interior, projects that by the year 2000 there will be about 17 billion participations in summertime outdoor recreational activities.

Today at least three-fourths of the land and water area in continental United States is privately owned. Most of this private land is in farms, forests, and range lands. These provide many different kinds of recreational potentials—vacation farms and ranches; picnicking, camping, and nature recreational areas; fishing waters; hunting and shooting preserves; and cottage and recreation sites, to name some.

Developing and operating rural recreation enterprises, however, are new and unfamiliar undertakings for most farmers and ranchers. Whatever the nature of recreation enterprises, they must be handled in an efficient businesslike manner if economic success is to result.

recreation cooperatives

Most farm people are familiar with the cooperative approach. They have used cooperatives to market their products, obtain farm supplies, and provide themselves with many services such as electricity, credit, insurance, and irrigation.

Three fundamental principles distinguish cooperatives from other types of businesses.

Service at cost is basic. This means that the cooperative does not make money for

itself. Net margins above the cost for providing services belong to members of the cooperative in proportion to their patronage, resource contribution, labor, or according to some other predetermined basis for allocation.

Democratic control means the association is controlled on some basis other than the amount of capital contributed. Most commonly, this basis for control is one-member one-vote.

Limited return on equity capital means that the return on capital invested in the cooperative is not the principal benefit sought by members as is the case with stockholders in a noncooperative corporation.

The cooperative idea is well suited to developing rural recreation enterprises. Individually, rural recreation operators may find it difficult to supply all the services customers prefer. They can, however, pool their recreation resources and services through a cooperative venture. Thus a group of landowners can put together an attractive package that will offer more advantages and opportunities for family recreation.

types....

Recreation cooperatives can be classified into two types—"user-controlled" and "resource-controlled."

The first type is controlled by the users of the resource. Their major aim is to purchase or lease rural land and other facilities to provide members of the cooperative and their families with facilities and services for outdoor recreation at cost.

Examples of "user-controlled" cooperatives are flying, skiing, tennis, swimming and golf clubs; and trap shooting facilities operated primarily for members' use on a nonprofit basis.

7 (REV), 13p. 1973.

In a "resource-controlled" cooperative, the owners organize the cooperative to develop and market recreational facilities and services; and to jointly purchase supplies and services used to produce recreation income.

This type uses any given combination of land, facilities, and labor of members who seek a monetary return for providing outdoor recreation opportunities and services to others. Examples of "resource-controlled" cooperatives are game-land, vacation-farm, guide-service and camping associations which are operated for the economic benefit of the resource contributor.

The "resource-controlled" cooperative has particular application when land or water resources belong to more than one owner. Through it, the enterprise can be developed as a single unit and placed under one management. For example, owners of land bordering on a lake or running stream might form a cooperative to develop and operate boating, swimming, fishing, and camping facilities.

In this way, the area becomes a coordinated economic unit. Not only can it provide the public with many services and an attractive recreation facility but also it can be managed, advertised, and promoted more effectively than if done on an individual basis. The owners can at the same time reduce operating costs and provide larger net returns for members.

Developing a hunting area that requires substantial acreage is another example of how groups of landowners can work together in a cooperative recreation enterprise.

advantages....

Resource owners have many opportunities to join together in a cooperative to manage their resources more effectively and utilize individually-owned resources by combining them into economic units.

Major advantages of a cooperative venture are:

1. **Diversified Recreation.**—A relatively large area makes a wider variety of activities possible. These may range from fishing and boating to hiking and horseback riding. The wide variety of activities could appeal to many people and offer advantages to a whole family that individual units usually cannot offer.

2. **Improved Services.**—Individual units often are not able to support competent managers. Pooling member resources makes it possible to afford a trained manager for the job and thus improves chances for a successful operation.

3. **Uniform Quality.**—In a cooperative, members retain many individual ownership features and operating responsibilities. However, the cooperative can set up some guidelines for members to operate within to maintain services of uniform quality.

4. **Joint Promotion.**—Through a cooperative, several people or organizations can share advertising and promotion costs. A number of farmers may join together to promote their farms as vacation areas for urban residents. They may, for example, publish brochures or hire someone to handle bookings, advertising, and other arrangements.

Cooperative promotional efforts may bring a customer to the facility but it is up to the proprietor to make the customer want to return and want to tell his friends about the facility. This "personal selling" is important.

Individual operators can help promote by showing an interest in customers, providing special services such as babysitting, soliciting and using suggestions for improving services, encouraging an air of friendliness and hospitality among employees, and by follow-up thank-you notes.

5. **Joint Purchase and Use of Equipment.**—When certain operating supplies and







equipment are purchased by the cooperative, members can benefit from the lower cost that large volume buying usually brings. Cooperative ownership of equipment also can reduce individual investment and lower individual operating costs.

6. Limited Liability and Risk.—When a cooperative is incorporated, the liability or risk to individual members will be lessened. Basically, the individual member limits his risk to the amount he invested in the cooperative. Liability insurance, as well as other insurance, is a necessity in a recreation enterprise. Joint purchasing of insurance coverage through a cooperative may reduce its cost.

requirements for success....

The cooperative approach to recreation does not automatically solve all problems or guarantee success. Like the individual proprietorship, partnership, or corporation, a cooperative must operate on a businesslike basis if it is to succeed. This is a primary requirement.

Second, the human factor must be considered when an association is formed. The people joining together should have similar personal likes and dislikes, and, most important, a vigorous attitude toward their common goal.

Third, the organizational structure of a cooperative creates problems not encountered in individual proprietorship. How economic benefits are to be distributed to resource contributors, how new members will be allowed to enter, method and kind of management, and ways of terminating membership must all be spelled out before the cooperative is formed.

Planning in all these areas in early stages of organization is essential to success of the operation. Farmer Cooperative Service, through advice and publications, can help a cooperative with its planning.

planning the cooperative

A cooperative to develop and operate a recreation enterprise should be organized with considerable care. A committee should be appointed to explore possibilities and prepare reports for consideration of those interested in forming the cooperative.

The first steps are: (1) determine the objectives of the cooperative to be organized, and (2) determine the economic feasibility.

its objectives....

What services will be provided, who will use these services, and who will own and control the cooperative? Will its major purpose be to provide recreation for its members at cost, to provide income to the owners of the facilities and services, or to provide income and services for members?

Answers will have an important bearing on type of cooperative formed.

For example, if the objective is to provide members with swimming, golfing, and picnicking facilities, membership will normally be open to anyone in the community. This would be a "user-controlled" type cooperative emphasizing quality service at cost.

Operating costs will be distributed among members in the form of assessments, annual dues, membership fees, or on some other equitable basis. Daily admission charges, if any, will be kept to a minimum in line with the cooperative nonprofit character.

If the purpose of the cooperative is to provide additional income for the resource owners, membership usually will be limited to those contributing specified recreation resources. The resource owners will provide capital needed and assume all economic risk inherent in the enterprise.

Recreation opportunities then will be offered to the public for a fee. If the enterprise is successful, increased net income



will belong to the resource owners.

If the cooperative is organized to provide advertising and promotion for vacation farms or to act as a service organization for individually owned recreation enterprises, costs would be prorated among members. The members would be the recreation enterprises using the cooperative's services. Capital requirements would be smaller than for other types of recreation cooperatives and financing should not be a major problem.

economic feasibility....

As a business enterprise, a cooperative is affected by the same economic forces and management practices that bring success or failure to other types of business. Some cooperatives fail because members do not understand this.

Before a recreation cooperative is organized, someone—usually a committee composed of potential members—must determine if there is a need for its services. Volume of business must be adequate to support the organization. Adequate capital must be available. The proposed location should be suitable for or adaptable to the recreation to be offered.

It may be useful to have a committee examine possibilities and prepare reports for consideration by all interested in forming the cooperative.

One way of determining the need for a recreation cooperative and its chances for success as a business enterprise is to develop a number of questions and then seek the answers. Some of the questions to be considered are:

1. What type of recreation services will the cooperative provide?
2. Who will use these services—local residents, tourists, or both? How many potential users will the recreation activity have?

3. Is the project located on a main highway or in an area frequented by tourists? If not, how will customers get to the recreation site?
4. How much capital will be needed? Where can this capital be obtained?
5. Estimate annual gross income, operating expenses, and net income available for distribution to members. Will this be sufficient to justify going ahead with the project?

Some of these questions can be answered without much trouble. But if a "resource-controlled" cooperative is the objective, the task of determining the potential number of customers may be difficult.

setting up the organization

After it has been determined that a recreation cooperative is feasible and the prospective members decide to go ahead with the organization, the next step would be to retain a lawyer. He will advise the group on the procedure for setting up a cooperative.

Incorporation.—A corporation has authority to conduct business in its own name. Incorporation is the act by which the corporation is brought into being. Generally speaking, incorporation limits the liability of each member to the amount of capital he has agreed to supply.

Each State has one or more statutes under which corporations can be incorporated. These State laws specify the type of information that must be included in the articles of incorporation and designate the State official with whom the articles must be filed.

Adoption of Bylaws.—After articles of incorporation are filed, it usually is in order for those named therein as incorporators to hold a meeting as "charter members" to adopt bylaws and elect directors.



The bylaws include requirements of membership, rights and responsibilities of members, methods of calling and conducting meetings, voting rights and quorum, duties and qualifications of directors and officers, bonding requirements, dates of the association's fiscal year, determination and distribution of proceeds, and miscellaneous provisions.

First Meeting of the Board.—The board of directors should hold a meeting immediately after adoption of the bylaws. Among business matters to be acted upon at this meeting are:

1. Election of officers as specified in the bylaws.
2. Authorization of president and secretary to have copies of the articles of incorporation and bylaws printed and distributed to members.
3. Selection of a depository bank; designation of officer or employees authorized to handle funds and issue checks; arrangements for bonding officers and employees in accordance with the bylaws; arrangement for bookkeeping and auditing; and transaction of any other business relating to such matters as insurance, financing, and the employment of a manager.

Farmer Cooperative Service has several publications written especially to help directors recognize and fulfill their responsibilities. They are listed on the back page of this publication.

financing....

The amount of capital a recreation cooperative will need depends upon the size and type of its operation.

When the cooperative does not own and operate physical facilities but provides a service such as advertising, promotion, accounting or supply buying, operating funds

usually can be provided by membership fees, dues or assessments. But a cooperative that needs to purchase or construct physical facilities may need to find additional sources of capital. A cooperatively-owned marina with boats, docks, and extensive shore facilities, for example, would require substantial funds.

Some cooperatives raise money through sale of capital stock to members. In most cases, little of this stock is ever sold to outside investors because investment in a cooperative does not offer speculative growth possibilities found in some other types of investments. There have been examples, however, of nonmembers purchasing preferred stock or other investments where broad community interest is shown.

With some equity capital provided by members, and with a sound plan of operation, a cooperative may be able to borrow the remainder of the money it needs. Possible sources of such funds include local banks, Farmers Home Administration, Farm Credit Administration, and other cooperatives.

Local banks can, and often will, make loans to recreation enterprises that offer reasonable assurance of success. This is an opportunity to support an enterprise that promises to bring additional income into the community.

management....

A recreation cooperative, like any other type of business, must have competent management if it is to succeed. Someone must plan and direct the cooperative's activities; hire, train, and supervise employees; and handle day-to-day operations. The degree of skill with which this is done will in a large part determine the success or failure of the business.

Management of a cooperative is not a one-man responsibility, however. Members,



directors, and hired personnel all have important roles. The responsibility of each group is specific and must not overlap.

Members.—The first steps in providing for management are taken by members when they adopt bylaws and elect directors. Grave responsibility rests upon the members of a cooperative. It is important that they know as much about their cooperative as they do about their churches and their State and national governments.

Directors.—The directors act as trustees for the members. They establish policies and long-range objectives; decide on programs and courses of action; and, at least in a general way, direct and guide the activities of the cooperative. They approve budgets, review reports, and require outside audits.

The most urgent role directors play in management—and one of the most important—is the employment of a manager.

Hired Management.—The manager chosen by the directors is responsible for selecting his staff and organizing activities in a manner that will produce the results desired by the members and directors.

Within the framework of policies and objectives set by the board of directors, the manager and his staff must organize, plan, and carry on the day-to-day activities of the organization. The manager is responsible to the directors for the work effectiveness.

A manager selected to direct the operations of a recreation cooperative should have some technical knowledge about the particular type of activities involved. But that in itself is not enough. He also must be able to select, train, supervise, and direct employees, and be equally adept at working with the board of directors in developing plans and programs.

The manager is a key employee and the success of the cooperative will depend to a large extent upon his ability. He should be selected with great care.

Sources of additional help

If you are interested in organizing a recreation cooperative, talk to your County Extension Agent. He can answer many of your questions and tell you who may be able to provide assistance, such as your Rural Areas Development Committee and other such committees.

U.S. Department of Agriculture and some State and local governmental agencies can provide information to help you decide whether or not to go into a rural recreation business. Many of them provide technical assistance, especially the Soil Conservation Service and the Farmers Home Administration of the USDA. Individuals and organizations associated with the Rural Electrification Administration and Farmer Cooperative Service also can furnish help on organizing and operating a cooperative.

The following publications may help you. (You can get a copy of each from the Rural Services Division, Farmer Cooperative Service, U.S. Department of Agriculture, Washington, D.C. 20250).

Rural Recreation—New Opportunities on Private Land—MP 930

Loans to Cooperatives—PA 662

Loans to Recreational Enterprises—PA 723

The Greenspan Way—PA 762

Publications on Outdoor Recreation Research—ERS 346

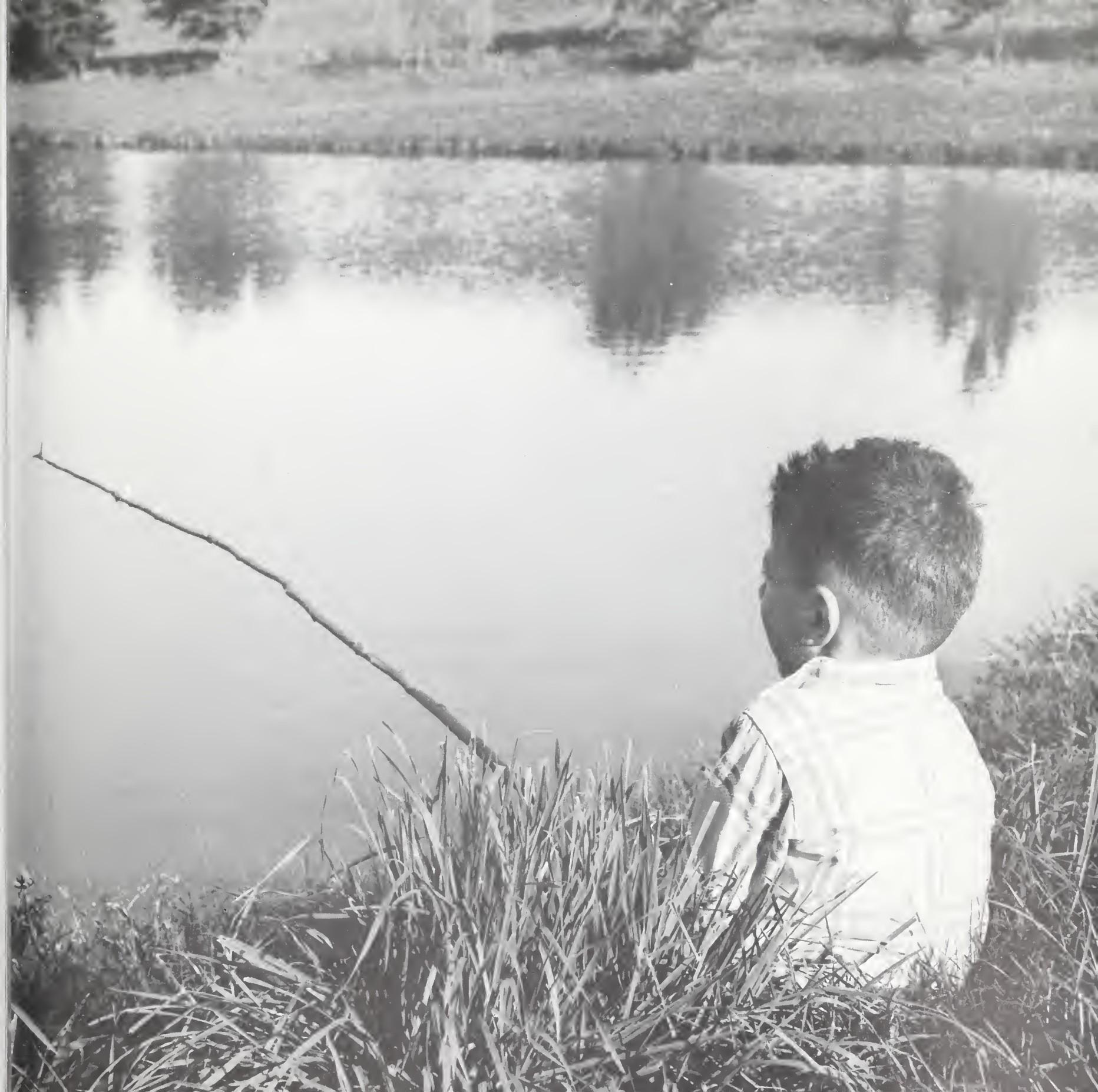
Handbook of Outdoor Recreation Enterprises in Rural Areas—FHA

What Is a Co-op?—FES 6

Forming Farm Cooperatives—FES 10

Rural Recreation Enterprises for Profit—AIB 277

Taxation of Recreational Enterprises on Private Rural Lands—ERS 144



other publications available

Outdoor Recreation — A New Potential for Cooperation,
Educational Circular 28. Clyde B. Markeson and Job
K. Savage.

Managing Farmer Cooperatives, Educational Circular 17.
Kelsey B. Gardner.

Improving Management of Farmer Cooperatives, General Report 120. Milton L. Manuel.

How To Start a Cooperative, Educational Circular 18.

Sample Legal Documents for New Cooperatives, Educational Circular 19.

Help for Rural Cooperatives, Information 55.

Financing Farmer Cooperatives, Educational Circular 5.

Assuring Democratic Election of Cooperative Directors,
Educational Circular 21. Irwin W. Rust.

Creating Training Programs for Cooperative Directors, Educational Circular 22. Irwin W. Rust.

Recognizing the Ideal Cooperative Director, Educational Circular 26. Irwin W. Rust.

A copy of each of these publications may be obtained upon request while a supply is available from —

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